GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1538
ANSWERED ON:04.03.2016
Fiscal Deficit
Chandrappa Shri B.N.;Kateel Shri Nalin Kumar;Singh Shri Hukum

Will the Minister of FINANCE be pleased to state:

(a) whether the Indian economy, despite many negative indicators is poised to be much stronger in future and if so, the details thereof;
(b) whether the Government contained the fiscal deficit at 3.9 per cent and correctly measured the GDP growth, if so, the details thereof and if not, the reasons therefor; and

(c) whether it is also a fact that Corporations are not investing because capacity utilisation is too low, and because they have too many bad loans, stressed assets, etc. and cutting interests is the only solution, if so, the details thereof and steps being taken to overcome these difficulties?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) As per the Advanced Estimates released by Central Statistics Office (CSO), the growth of Gross Domestic Product (GDP) at constant (2011-12) market prices is estimated at 7.6 per cent in 2015-16. The Economic Survey 2015-16 indicates that despite uncertainties in the global economy, Indian economy stands out as a haven of macroeconomic stability, resilience and optimism and can be expected to register GDP growth that could be in the range of 7 to 7.75 per cent in the coming year. International Monetary Fund, in their World Economic Outlook Update (January 2016), has indicated that India is projected to continue growing at a robust pace.

(b) As per the Budget 2016-17, the fiscal deficit as a ratio of GDP at current market prices is estimated at 3.9 per cent for the year 2015-16 (revised estimates). As per the Advanced Estimates released by Central Statistics Office (CSO), the growth of Gross Domestic Product (GDP) at constant (2011-12) market prices is estimated at 7.6 per cent in 2015-16. This estimation has been done in accordance with the international best practices.

(c) The fixed investment (measured by Gross Fixed Capital Formation) by the private corporate sector increased from 11.7 per cent of the GDP at current market prices in 2013-14 to 12.3 per cent in 2014-15 (the latest year for which data is available), despite indications of constraints like stressed assets. Investment depends on various factors that, inter-alia, include: expectations of demand vis-Ã -vis the available capacity, expected profit, business climate and interest rate. The Government has taken a number of steps to improve the business climate and boost investment in the economy which, among others, include: the "Make in India" initiative along with the attendant facilitatory measures for a more conducive environment for investment; Start-up India initiative to boost entrepreneurship and creation of jobs; opening up of specified sectors for foreign direct investment; and investment-augmenting tax measures. The Reserve Bank of India reduced the policy repo rates by 125 basis points during 2015.